

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCE
(DIRECTORATE GENERAL OF ANTI-DUMPING & ALLIED DUTIES)

NOTIFICATION

NEW DELHI, the 25th April, 2007

Preliminary Findings

Subject: Antidumping investigations involving imports of Acetone originating in or exported from European Union, Chinese Taipei, Singapore, South Africa & USA.

NO. 14/4/2006-DGAD: - Having regard to the Customs Tariff Act 1975 as amended in 1995 (hereinafter referred to as the Act) and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, (hereinafter referred to as the Rules) thereof:

2. Whereas M/s Hindustan Organic Chemicals Ltd., Mumbai and M/s Schenectady Herdillia Ltd., Mumbai (now renamed as SI Group-India Ltd.) (hereinafter referred to as the Applicant) have filed an application before the Designated Authority (hereinafter referred to as the Authority), in accordance with the Customs Tariff Act, 1975 as amended in 1995 and Customs Tariff (Identification, Assessment and Collection of Anti Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 (herein after referred as Rules), alleging dumping of Acetone (herein after referred to as subject goods), originating in or exported from European Union, Chinese Taipei, Singapore, South Africa and USA (hereinafter referred to as subject countries) and requested for initiation of Anti Dumping investigations for levy of anti dumping duties on the subject goods. The Authority notified the Delegation of European Union, High Commissions of Singapore, S. Africa, Cultural Centre of Taiwan and Embassy of USA about the receipt of dumping allegation in accordance with sub rule 5(5) of Rules.

3. And Whereas, the Authority on the basis of sufficient evidence submitted by the applicant on behalf of the domestic industry, issued a public notice dated 7th September 2006 published in the Gazette of India, Extraordinary, initiating Anti-Dumping investigations concerning imports of the subject goods originating in or exported from the subject countries in accordance with the sub-Rule 6(1) of the Rules to determine the existence, degree and effect of alleged dumping and to recommend the amount of antidumping duty, which if levied would be adequate to remove the injury to the domestic industry.

A. General

4. Procedure described below has been followed with regard to this investigation after issuance of the public notice notifying the initiation of the above investigations by the Authority:-

- (i) The Designated Authority sent copies of initiation notification dated 7.9.2006 to the Embassies of the subject countries in India, known exporters from the subject countries, importers and the domestic industry as per the addresses made available by

the applicant and requested them to make their views known in writing within 40 days of the initiation notification.

- (ii) The Authority provided copies of the non-confidential version of the application to the known exporters and to the Embassies of subject countries in accordance with Rule 6(3) supra.
- (iii) The Embassies of the subject countries in India, were informed about the initiation of the investigation in accordance with Rule 6(2) with a request to advise the exporters/producers from their countries to respond to the questionnaire within the prescribed time. A copy of the letter and questionnaire sent to the exporters were also sent to them, alongwith the names and addresses of the exporters.
- (iv) The Authority sent questionnaires, to elicit relevant information to the known exporters in subject countries in accordance with Rule 6(4);
- (v) Request was made to the Directorate General of Commercial Intelligence and Statistics (DGCI&S) to arrange details of imports of subject goods for the past three years and the period of investigation;
- (vi) The Authority made available non-confidential version of the evidence presented by various interested parties in the form of a public file kept open for inspection by the interested parties;
- (vii) Optimum cost of production and cost to make and sell the subject goods in India based on the information furnished by the applicant on the basis of Generally Accepted Accounting Principles (GAAP) was worked out so as to ascertain if Anti-Dumping duty lower than the dumping margin would be sufficient to remove injury to Domestic Industry;
- (viii) Investigation was carried out for the period starting from 1st July 2005 to 30th June 2006 (POI). The examination of trends in the context of injury analysis covered the periods from April 2003-March 2004, April 2004-March 2005, April 2005-March 2006 and the POI.
- (ix) In response to the above said notification the following exporters from the subject countries filed their responses to questionnaire:-
 - M/s Formosa Chemicals & Fibre Corporation, Taiwan
 - M/s Sasol Solvents, South Africa
 - M/s Taiwan Prosperity Chemicals Corporation, Taiwan
 - M/s Mitsui & Co. Ltd., Singapore
- (x) M/s Dow Chemicals, USA has submitted that it has not made any export of subject goods to India during period of investigation, however, it may be treated cooperating interested party. The Authority notes that in absence of verification of exports details, it cannot be ascertained that no exports to India had been effected during POI.
- (xi) In response to above notification following importers filed response to questionnaire:-
 1. M/s National Organic Chemical Industries Ltd., Mumbai
 2. M/s Ranbaxy Laboratories Ltd., Gurgaon
 3. M/s Lanxess India Pvt. Ltd., Thane, Maharashtra
 4. M/s Crescent Chemsol Pvt. Ltd., Vadodara
- (xii) Other exporters and importers who have not submitted information are being treated as non-cooperating exporters and importers.
- (xiii) In compliance of decision of Supreme Court in Civil Appeal No.1294 of 2001, the normal values for subject countries have been determined.
- (xiv) *** in this Notification represents information furnished by the applicant on confidential basis and so considered by the Authority under the Rules.

B. Product under Consideration

5. The product under consideration is 'Acetone'.

6. The Acetone is organic chemical also known as Dimethyl Ketone and used in the manufacture of bulk pharmaceuticals, agro chemicals, dye stuffs, certain explosives and downstream chemicals. Acetone is classified under Chapter 29 of Custom Tariff Act under the sub-heading 29141100.

7. It is a basic organic chemical produced in single grade. It is a colourless liquid with an agreeable ether-like odour. It is used in numerous organic synthesis either as solvent or as an intermediate. It is used in manufacture of bulk pharmaceuticals, agro-chemicals, dyestuffs, certain explosives and downstream chemicals. Acetone is specifically used in manufacture of Isophorone, Diacetone, Alcohol, Methyl Methacrylate and Bisphenol A. Besides this, it is used in manufacture of certain rubber chemicals or Oxy Acethylene Cellulose Acetate.

B.1 Like Article

8. The domestic industry manufactures 'Acetone' is identical to the product under consideration, therefore is being treated as like article for the purpose of this Investigation.

C. Standing of the Domestic Industry and initiation of the investigation

9. The application was filed by M/s Hindustan Organic Chemicals Ltd., Mumbai and M/s Schenectady Herdillia Ltd., (now renamed as SI Group-India Ltd.) Mumbai, which are the producers of the subject goods in India. The applicants account for 100% production of subject goods in India, therefore, constitute domestic industry within the meaning of the Indian Anti-dumping Rules. It has been informed by the Domestic Industry that there was no production of Acetone during POI by producers of Acetone using sugar/alcohol route.

C.1 Imports made by M/s SI Group-India Ltd.

10. During the period of investigation, M/s SI Group-India Ltd. had imported ***MT of Acetone. The company stated that the imports were basically made under Duty Exemption Scheme for exports of goods manufactured out of imported Acetone. During verification process it was verified that the company had imported ***MT under duty exemption scheme and was under export obligation to export product produced from the Acetone. The Authority notes that imports under duty exemption scheme was approximately 83% of the total imports and were meant to manufacture other product for export purpose and were not intended for consumption in the country. Therefore, the Authority holds that imports made by M/s SI Group India Ltd. do not disqualify it from being part of domestic industry.

D. Other Issues

D.1 Submissions made by M/s Mitsui & Co. Ltd.

11. HOCL, the only eligible producer to file the application is a company referred to the BIFR even prior to the period of investigation. As the Authority may be aware that the reason for referring the matter to the BIFR is the fact that there has been a complete erosion of funds i.e., the accumulated losses exceeded the shareholders funds. We understand that

HOCL was registered as a sick industrial company by the BIFR as per provisions of SICA, vide Case No.501/2005. The Authority may please call for all the documents/submissions relating to the BIFR case including the order passed by the Board. In this connection, kind attention is invited to the Annual Report of 2004-05 of HOCL, the relevant excerpts of which are as follows:

“Your company had been incurring losses from the financial year 1997-98 to 2003-04 and was referred to BIFR as a sick unit after erosion of Net Worth at the end of the financial year 2003-04.”

12. The fact that the company has been referred to BIFR makes it clear that the poor performance of the company is on account of their inherent difficulties which have been acknowledged in several reports of the government. It is also important to note that even the BIFR application was made prior to the application for anti-dumping on acetone. Under the circumstances, it is apparent that the problems cannot be attributed to the alleged dumping from the subject countries.

13. The Authority has examined the issue of HOCL under the BIFR and noted that the reason cited by the applicant before the BIFR was that “the sales at Kochi unit of the company which in fact is profit making unit suffered in 2001-02 due to dumping of products by overseas manufacturers causing severe squeeze in the margins resulting in losses. The Authority further notes that Kochi unit of the company which basically manufactures phenol and acetone was making profits during 2002-06, however, the profit was considerably reduced during 2005-06. The Authority also notes that Rasayani unit of the company was making losses during 2000-06. The Authority, therefore, holds that mere registration of unit under SICA would not make it ineligible to seek relief under Anti-dumping Investigations, particularly, when the relevant unit of the company was not suffering losses because of any other reasons.

D.2 Confidentiality

14. M/s Mitsui & Co. Ltd. has stated that the domestic industry has claimed excessive confidentiality in respect of the application. It has been stated that ‘there are no reasons provided as to why the information on which confidentiality has been claimed and apparently allowed is not susceptible to summarization. It has been contended that every information is not required to be treated as confidential merely because it is provided to the Designated Authority on confidential basis by the party in the course of investigations. The company has asked for the documents/correspondence filed by the domestic industry claiming confidentiality and decision of the Authority allowing confidential along with reasons so that they may be in position to offer appropriate comments.

15. The Authority in this case has considered the data relating to customers, price and costing as confidential as the disclosure of the same may give the competitive advantage to the other interested parties. The data relating to volumes of domestic industry (all producers taken together) has not been treated as confidential. All interested parties are required to give the justification as to why they are claiming confidentiality on the information submitted. After the preliminary findings, the claim of confidentialities of all interested parties would be examined after taken into view the objections raised by other parties.

D.3 Adequacy and Accuracy of the information in the application

16. M/s Mitsui & Co. Ltd. has raised the issue that the domestic industry had submitted the information for 9 months whereas period of investigation chosen by the Designated Authority is 12 months, therefore, the data/information on which the Designated Authority had initiated the investigation were inadequate. It has also been stated that S. Korea was named as one of the countries against which investigation was sought whereas the investigation has not been initiated against S. Korea. It has been contended that by changing the period of investigation and countries, the injury and dumping analysis would change, therefore, the information provided were inadequate for initiation of the investigation under Rule 5 (3) of the Anti-Dumping Rules.

17. The Authority notes that the application was filed with the information for period of nine months and proposed period of investigation was 9 months. The Authority after examining the evidence of injury and dumping decided to initiate the investigation. The Authority, however, chosen the period of investigation as 12 months to capture effect of cyclical changes, if any. The Authority holds that the investigation was properly initiated after examining the adequacy and accuracy of the information provided. The updated information was called from domestic industry and placed in Public File for inspection of all interested parties. In respect of the allegation of dumping against S. Korea, the Authority observed that the 9 months data did not show the imports which could be considered as sufficient to initiate the investigation against the country, therefore, investigation was not initiated against Korea ROK. It has also been noted that subsequently the investigation has also been initiated against Korea ROK on receipt of data for period of 12 months which indicated that the imports were more than de minimis.

E. Methodology for calculation of dumping margin

E.1 Submissions made by M/s Mitsui & Co. Ltd.

18. It has been stated that Acetone prices are not determined in any part of the world on the basis of its cost. Both Phenol and Acetone are co-products or joint products. The production facility is essentially for Phenol production and Acetone is produced due to technological reasons. Thus, all over the world, the Phenol-Acetone is manufactured are required to recover their cost for the sale of Phenol. The pricing of Acetone is not cost based as has been made out by the domestic industry. It is a common knowledge that prices of Acetone is not determined solely on prices of raw material e.g. Benzene (BZ) + Propylene (C3) but also on the supply/demand of Acetone as well as the final selling price of Phenol. In other words, the prices of Acetone are not governed by the price of Acetone. The inescapable fact is that the price of Acetone is determined by the normal forces of demand and supply irrespective of costs even in the long term. It is submitted that the domestic industry has not given the true picture as to how prices of Acetone are determined in India or for that matter anywhere else in the world.

E.2 Response of M/s Sasol Solvents, South Africa to the Exporters Questionnaire

19. The exporter has stated that product sold to India are identical to those sold in the domestic market.

E.3 Response by M/s Dow Chemicals Company, USA

20. The company has reported that no exports of the subject goods have been affected during the period of investigation, however, they have indicated their desire to participate in the investigation. The company has requested that it may be treated as an interested party.

E.4 USA

Normal Value for USA

21. No exporter has responded to the initiation notification and submitted any information. In absence of any data, the Authority has relied on the facts available as per Rule 6(8) of the Anti-dumping Rules to determine the normal value. For this purpose, average price reported in ICIS LOR (US Gulf) for the period of investigation has been taken as normal value. To arrive at the ex factory prices appropriate adjustments on account of inland freight and insurance have been made. By adopting the above method, the average normal value for bulk material has been calculated as US\$ *** PMT.

Export price for Non-cooperating Exporters

22. The data reported by the DGCI&S for exports from USA has been relied upon to calculate the ex-factory export price. The DGCIS data shows exports of bulk material during the POI. Adjustment on account of ocean freight @ US\$*** PMT, marine insurance @ ***, commission @ ***, inland freight @ ***, port expenses @ ***, bank charges @ ***% and credit cost @ ***% p.a. for 90 days credit have been made to arrive at the ex-factory export price. By adopting the above method, the ex-factory export price has been calculated as US\$ *** PMT for bulk material.

E.5 European Union

Normal Value for European Union

23. No exporter from the European Union has responded to the Initiation Notification. In absence of any response, the Authority has relied on the facts available as per Rule 6(8) of the Anti-dumping Rules to determine the normal value. For this purpose, average price reported in ICIS LOR Europe for the period of investigation has been taken as the normal value. To arrive at the ex factory prices appropriate adjustment on account of inland freight and insurance have been made. By adopting the above method, the average normal value has been calculated as US\$ *** PMT for bulk material. For packed material, packing cost has been added and normal value has been calculated as US\$ *** PMT.

Export price for Non-cooperating Exporters

24. The data reported by the DGCI&S for exports from European Union has been relied upon to calculate the ex-factory export price. The DGCIS data shows export of both bulk and packed material during the POI. Adjustments on account of ocean freight @ US\$*** PMT, marine insurance @ ***, commission @ ***, inland freight @ ***, port expenses @ ***, bank charges @ ***% and credit cost @ ***% p.a. for 90 days credit have been made to arrive at the ex-factory export price. By adopting the above method, the ex-factory export price for bulk export has been calculated as US\$ *** PMT. For packed material, the ex-factory export price calculated as US\$ ***PMT.

E.6 Singapore

25. M/s Mitsui & Co. Ltd., an exporter from Singapore has responded to the Initiation Notification and provided data. It has been informed that M/s Mitsui & Co. Ltd. is not a

producer. The Acetone exported to India during the period of investigation has been produced by M/s Mitsui Phenol Singapore Pte. Ltd. In the investigation, related producer has not provided any information.

26. The Authority notes that to determine the normal value of the exporter, the cost of production of the producer is to be examined to check whether the sales have been made in the ordinary course of trade as per para 2 of the Annexure-1 of Anti-Dumping Rules. This examination is not possible in absence of information from the producer. The Authority, therefore, has not relied upon the information provided in respect of the domestic sales and determined the normal value on the basis of facts available as per Rule 6(8) of the Anti-dumping Rules.

Normal Value for Singapore

27. The prices reported in ICIS LOR is for Asia which cannot be taken for a particular country, therefore, the normal value has been constructed on the basis of facts available. For constructing normal value, the price of Benzene has been taken from the data of DGCIS and for Propylene it has been taken from ICIS LOR Asia. The consumption norms of the efficient producer of the domestic industry and SION have been relied upon. For utilities, consumption norm and prices of the efficient producer of the domestic industry have been taken except for power for which the rate has been taken as per the available information of power rate in the exporting country. Conversion cost has been taken as per conversion cost of the efficient producer of the domestic industry. SGA including interest has been taken from the Annual Report of the major producer of the exporting country. The profit @ 5% has been taken on the cost of production. By adopting this methodology, the constructed normal value for bulk material have been calculated as US\$ *** PMT. [For packed material, the cost of packing material of the efficient producer of the domestic industry has been added to calculate the normal value. By this method the normal value for packed material has been calculated as US\\$***PMT.](#)

Export Price

M/s Mitsui & Co. Ltd.

28. Transaction-wise information about exports provided by this company have been relied upon to calculate the export price. The reported information, subject to verification has been relied upon regarding selling price, overseas freight, overseas insurance, credit cost. Adjustment for overseas freight @ *** \$ PMT, overseas insurance US\$ *** PMT and credit cost @ US\$ *** PMT has been adjusted to arrive at ex factory price as US\$ *** PMT for bulk material.

Export price for non-cooperating exporters

29. The data reported by the DGCI&S for exports from Singapore has been relied upon to calculate the export price. Transaction-wise details from DGCI&S data export price for the bulk material has been taken as US\$ *** PMT. For the packed material export price has been taken as US\$ *** PMT. Adjustments on account of ocean freight, insurance and other charges as reported by cooperating exporter have been made to arrive at ex-factory export price. By adopting the above method, the net export price has been calculated as US\$ *** PMT for bulk material and US\$ *** PMT for packed material.

E.7 South Africa

M/s Sasol Solvents

30. The exporter has responded to the Initiation Notification and provided the information on exports and domestic sales.

Normal Value for South Africa

31. Transaction-wise details on domestic sales provided by the exporter have been relied upon to determine normal values. The expenses under the head 'Other items to be adjusted' have not been permitted as there is no explanation provided for this adjustment. The transactions showing negative prices have also not been taken into account for determining normal value. All other expenses claimed by exporters subject to verification have been adjusted to determine weighted average normal value. The transactions relating to bulk and packed sales were segregated to determine normal value for bulk and packed products. By adopting this methodology, the normal value for bulk product has been calculated as US\$*** PMT and US\$*** PMT for packed product.

Export Price for M/s Sasol Solvents

32. The transaction wise details for bulk and packed product was segregated to determine the export price. Expenses claimed by the exporter have been adjusted to arrive at ex-factory export price. By adopting this method, the weighted average export price for bulk has been calculated as US\$ *** PMT and US\$ *** PMT for packed material.

Export price for non-cooperating exporters

33. The data reported by the DGCIS for exports from South Africa has been relied upon to calculate the export price. From the transaction-wise DGCIS data, export price for the bulk material has been taken as US\$ *** PMT. For the packed material export price has been taken as US\$ *** PMT. Adjustments on account of ocean freight, insurance and other charges @ US \$ *** PMT as reported by cooperating exporter have been made to arrive at ex-factory export price for bulk product. By adopting the above method, the ex-factory export price has been calculated as US\$ *** PMT for bulk material. The total adjustments of US\$ *** PMT have been made to calculate the ex-factory export price for the packed material. By this method, the ex-factory export price for packed material has been calculated as US\$*** PMT

E.8 Chinese Taipei

Normal Value for Chinese Taipei

34. The normal value for Chinese Taipei has been determined by taking into account transaction-wise details provided by both the exporters. The domestic sales to the affiliated parties by M/s Formosa Chemicals have not been taken into account as there was a considerable difference in prices between affiliated and non-affiliated parties sales. The expenses as claimed by the exporters have been adjusted to arrive at the weighted average normal value. The domestic sales relate only to the bulk product, for which the normal value has been calculated as US\$ *** PMT. For packed product the normal value has been determined by adding the difference between bulk and packed prices of the exported product. By this method, the normal value for packed product is determined as US\$*** PMT.

Export price

M/s Formosa Chemicals & Fibre Corporation

35. The exporter has made only bulk sales to India, therefore, the export price for bulk has been determined. To determine the export price, the data provided by the exporter has been relied upon. All adjustments claimed by the exporter have been permitted. The ex-factory export price has been calculated as US\$ *** PMT for bulk material.

M/s Taiwan Prosperity Chemicals Corporation

36. The exporter has made sales of both bulk and packed product to India. The transactions of exports were segregated to determine the export prices for bulk and packed material. All adjustments claimed by the exporter have been permitted. The ex-factory export price for bulk material has been calculated as US\$ *** PMT and for packed material as US\$ **** PMT.

Export price for non-cooperating exporters

37. To determine the export price for the non-cooperating exporters, a transaction reported in DGCIS data has been relied upon. The expenses claim of the cooperating exporters have been adjusted to arrive at the ex-factory export price. The ex-factory export price for bulk material has been calculated as US\$*** PMT and for packed material as US\$ *** PMT.

E.9 Dumping Margin

38. On the basis of normal values and export prices as determined above, the dumping margins for cooperating and non-cooperating exporters are determined as per table below:-

Exporter/Producer	Normal Value-Bulk (US\$)	Normal Value-Packed (US\$)	Export Price-Bulk (US\$)	Export Price-Packed (US\$)	Dumping Margin - Bulk (US\$)	Dumping Margin - Packed (US\$)	Dumping Margin – Weighted Average (US\$)
Singapore							
M/s Mitsui & Co. Ltd.	***		***		***		*** 52.46%
Non-cooperating Exporters	***	***	***	***	***	***	*** 65.04%
South Africa							
M/s Sasol Solvents	***	***	***	***	***	***	*** 24.50%
Non-cooperating Exporters	***	***	***	***	***	***	*** 35.68%
Chinese Taipei							
M/s Formosa Chemicals	***		***		***		*** 12.44%
M/s Taiwan Prosperity	***	***	***	***	***	***	*** 15.75%
Non-cooperating	***	***	***	***	***	***	***

exporters							18.48%
USA							
Non-cooperating exporters	***		***		***		*** 80.57%
European Union							
Non-cooperating exporters	***	***	***	***	***	***	*** 86.83%

39. The dumping margins so determined provisionally are significant and above de minimis

F. METHODOLOGY FOR INJURY DETERMINATION AND EXAMINATION OF CAUSAL LINKS

F.1 Views of the domestic industry

40. The followings are the views of domestic industry:-

- a) The sales of the domestic industry declined significantly after showing a significant increase up to 2004-05. It would be seen that the import volumes in absolute term increased vis-à-vis sales of domestic industry declined. There is direct relationship between the import volumes, import price, sales volumes and market share of the domestic industry. Import volumes increased because of availability of the material at dumped prices, due to which sales of domestic industry declined.
- b) Profits:- Profitability of the domestic industry has significantly eroded. Even when the domestic industry attempted to maintain its market, the impact of the same was very adverse in terms of profits, which declined significantly from a situation of profits to financial losses. Decline in profitability of the domestic industry continued throughout the investigation period. Should the performance of the domestic industry be examined on quarter by quarter basis, the same materially deteriorated in each quarter.
- c) It would be worthy to mention that significant decline in profits is in spite of significant reduction in interest costs. In other words, whereas the profits should have improved on account of reduction in interest costs, the same has rather declined. Employment level with the domestic industry has declined.
- d) Productivity:- Productivity of the domestic industry declined. Petitioners submit that so severe is the adverse impact of dumping that even productivity of the domestic industry has suffered inspite of the peculiar nature of the production process. Any producer of the product would like to increase production. Production restrictions/suspension are quite unusual in this kind of industry. However, so severe has been the impact of dumping that the domestic industry has been forced to cut production.
- e) Return on capital employed:- For the purpose of calculation of return on investments, petitioners have considered sum of fixed assets and working capital and profit before interest and taxes. The information shows significant deterioration in the performance of the domestic industry, from a situation of positive return to negative return. The decline in ROI is a direct consequence of decline in profits.
- f) Output and Capacity Utilization:- Domestic industry maintained its capacity for production of subject goods¹. However, severe pressure on domestic industry from

dumped imports resulted in production cuts being resorted by the domestic industry, resulting in decline in capacity utilization.

- g) Output and capacity utilization of the domestic industry declined in spite of the fact that the domestic industry decided to offer sub-optimal prices.
- g) Inventories:- Inventory level of the domestic industry increased. Increase in inventories is in spite of lower prices offered by domestic industry. Whereas domestic industry had inventories equal to about 3 days sales, the same increased to more than 17 days in proposed period of investigation.
- i) Salary & wages:- Salary and wages with the domestic industry increased.
- j) Cash Profit:- Deterioration in profits of the domestic industry adversely affected cash profits of the domestic industry, which directly affected cash flow. Petitioners have determined cash profits from the product under consideration and cash flow of the company as a whole.
- k) Demand and market share:- Whereas the market shares of the imports have increased, that of the domestic industry has declined.
- l) Growth:- Growth of the domestic industry in a number of parameters shows negative trend.

41. It is thus evident that the domestic industry has suffered material injury. Thus, it can be concluded that the domestic industry is trapped in a vicious cycle of volume effect and price effect. First with the increase of the imports of the subject good from the subject countries into the Indian market as a result of excess capacity with the Foreign Producers, the domestic industry suffered from loss of sale and loss of market share. This resulted in adverse volume effect. This loss of sale forced the domestic industry to reduce their domestic selling price in order to sell the subject good in the domestic market. This resulted in adverse price effect. The exporters further reduced the selling price. As a result, the domestic industry reduced the selling price further and the process continued. Resultantly, domestic Industry faced adverse volume effect and adverse price effect as a result of distortive and unfair trade practices of the exporting countries.

Threat of Material Injury

42. In addition to the material injury already being suffered by the domestic industry, imports from subject countries are posing threat of material injury to the domestic industry.

43. There is significant increase in the import volumes in absolute term as is evident from the enclosed *pro forma*, and as would be seen from the increase in import volumes. This increase in imports is in spite of best efforts of the domestic industry to sell their material even at sub-optimal prices. The increase in imports would have been more, had the domestic industry not made efforts to curtail the same by offering lower prices;

44. The price undercutting is significant as is evident from the enclosed *pro forma*. At any point of time and in spite of offering matching prices, there is a positive price difference between the domestic product and imported product. Given nature of the product involved, any price difference between the domestic product and imported product is not acceptable to the consumers and the domestic industry is under constant pressure for price reductions. It may be noted that it is not such a product that the domestic industry can afford to sell at prices significantly higher than the imported prices. The only option with the domestic industry is to sell at matching prices. Therefore, it should be noted that small price difference is in fact huge in this kind of product;

45. Capacities created by the producers in the subject countries are far more than their respective domestic demand. These producers are in fact saddled with excess capacity. Capacities in Taiwan, Korea and USA are 300000 MT, 100000 MT and 3175000 MT respectively, which is significantly higher than consumption in their respective markets. Due to excess capacity in China, producers have been forced to reduce their prices.

46. While inventories of the article with the domestic industry are showing increase in spite of significant reduction in the selling prices by the domestic industry, petitioners understand that the producers in subject countries are saddled with higher inventories. However, no published information is available in this regard and the Authority is requested to call for relevant information;

47. Petitioners conducted extensive analysis of exports from subject countries to world over. The analysis was shocking in terms of its likely impact on the domestic industry. World exports of subject countries are showing increasing trends, clearly implying surplus unutilized capacities with the Foreign Producers.

F.2 Views of co-operating exporters

Submissions made by M/s Mitsui & Co. Ltd.

48. HOCL, the only eligible producer to file the application is a company referred to the BIFR even prior to the period of investigation. As the Authority may be aware that the reason for referring the matter to the BIFR is the fact that there has been a complete erosion of funds i.e., the accumulated losses exceeded the shareholders funds. We understand that HOCL was registered as a sick industrial company by the BIFR as per provisions of SICA, vide Case No.501/2005. The Authority may please call for all the documents/submissions relating to the BIFR case including the order passed by the Board. In this connection, kind attention is invited to the Annual Report of 2004-05 of HOCL, the relevant excerpts of which are as follows:

“Your company had been incurring losses from the financial year 1997-98 to 2003-04 and was referred to BIFR as a sick unit after erosion of Net Worth at the end of the financial year 2003-04.”

49. The fact that the company has been referred to BIFR makes it clear that the poor performance of the company is on account of their inherent difficulties which have been acknowledged in several reports of the government. It is also important to note that even the BIFR application was made prior to the application for anti-dumping on acetone. Under the circumstances, it is apparent that the problems cannot be attributed to the alleged dumping from the subject countries.

Examination by the Authority

F.3 Cumulative assessment of injury

50. As per annexure-II (iii), in cases where imports of a product from more than one country are being simultaneously subjected to Anti-dumping investigation, the Authority is required to cumulatively assess effect of such imports, only when it determines that (a) the

margin of dumping established in relation to imports from each country is more than 2% expressed as percentage of export price and the volume of the imports from each country is 3% of the imports of like article and (b) cumulative assessment of the effect of imports is appropriate in light of the conditions of competition between the imported article and the like domestic article. The Authority has found that the margin of dumping in respect of each of the subject country is more than 2% and the volume of imports from each country is also more than 3%.

51. With a view to assess the conditions of competition between imported products and the conditions of competition between the imported products and the like domestic product, the Authority notes that -

- i) The subject goods have been imported from the subject countries under the same tariff classification;
- ii) The Authority has found that the imported subject goods are commercial substitutes of the domestically produced Acetone.
- iii) The information furnished to the Authority gives a reasonable indication that the exports made from the subject countries compete in the same market, as these are similar products.

52. Therefore, the Authority finds it appropriate to cumulatively assess the effect of imports of the subject goods on the domestically produced like article in the light of conditions of competition between the imported products and the like domestic product.

53. The Authority has taken note of various arguments raised by various parties in their submissions.

54. Article 3.1 of the ADA and Annexure II of the AD Rules provide for an objective examination of both, (a) the volume of dumped imports and the effect of the dumped imports on prices in the domestic market for the like products; and (b) the consequent impact of these imports on domestic producers of such products, with regard to the volume effect of the dumped imports. The authorities are required to examine whether there has been a significant increase in imports, either in absolute term or relative to production or consumption in the importing member. With regard to the price effect of the dumped imports, the authorities are required to examine whether there has been significant price undercutting by the dumped imports as compared to the price of the like product in the importing country, or whether the effect of such imports is otherwise to depress prices to a significant degree, or prevent price increase, which would have otherwise occurred to a significant degree.

55. For the purpose of injury analysis the Authority has examined cumulative effect of dumped imports of the subject goods on the domestic industry and its effect on production, capacity utilization, sales, prices and profitability to examine the existence of injury and causal links between the dumping and injury, if any.

56. Since positive dumping margins have been established for the exports from the subject countries, therefore, entire exports from the subject countries have been treated as dumped imports for the purpose of injury analysis and causal links examination.

(A) **VOLUME EFFECT:** Volume Effect of dumped imports and Impact on domestic Industry

57. The Authority has procured transaction wise details of imports of subject goods from DGCI&S. As per the data, imports from EU, South Africa, Singapore, Chinese Taipei, USA constitutes 25.7%, 14.67%, 17.53%, 16.22% and 9.57% respectively. The imports from subject countries are more than de minimis individually. The Authority notes that the share of subject countries in imports was 89.55% in 2003-04 increased to 94.06% in 2004-05 before declining to 91.05% in 2005-06 and 83.71% in POI. The Authority observed that the share of imports from other countries was 10.45% in 2003-04 declined to 5.94% in 2004-05 and increased to 8.95% in 2005-06, 16.29% in POI. The trend indicates that imports from the subject countries were facing competition from imports of other countries. The Authority also observes that the anti-dumping investigation, on the request of domestic industry, have already been initiated on imports from Russia and Korea ROK.

i) Import Volumes and share of subject country

Imports					
	Units	2003-04	2004-05	2005-06	July 05- June06
		Volume	Volume	Volume	Volume
		MT	MT	MT	MT
EU	MT	9125	12884	19591	17068
South Africa	MT	9487	7639	9779	9737
Singapore	MT	500	4227	10264	11638
Taiwan	MT	81	2733	12718	10766
USA	MT	2564	437	4257	6353
Other countries	MT	2539	1762	5567	10812
Subject Countries	MT	21757	27920	56609	55562
Trend	Indexed	100	128.3265	260	255
Total Imports	MT	24295	29682	62175	66374
Trend	Indexed	100	122	256	273
Market Share in Imports					
EU	%	37.56	43.41	31.51	25.71
South Africa	%	39.05	25.74	15.73	14.67
Singapore	%	2.06	14.24	16.51	17.53
Taiwan	%	0.33	9.21	20.45	16.22
USA	%	10.55	1.47	6.85	9.57
Other countries	%	10.45	5.94	8.95	16.29
Subject Countries	%	89.55	94.06	91.05	83.71
		100.00	100.00	100.00	100.00

ii) Demand, Output and Market shares

a) Growth In Demand

Growth in Demand including Captive Sales

Demand	Unit	2003-04	2004-05	2005-06	July05-june06
HERDILLIA	MT	***	***	***	***
HOCL	MT	***	***	***	***

Domestic Industry	MT	46636	51567	37751	38314
Total Imports	MT/Lacs	24295	29682	62175	66374
Total Demand	MT/Lacs	70931	81250	99926	104688
Trend	Indexed	100	115	141	148

Growth in Demand excluding Captive Sales

Demand	Unit	2003-04	2004-05	2005-06	July05-june06
HERDILLIA	MT	***	***	***	***
HOCL	MT	***	***	***	***
Domestic Industry	MT	41405	50122	36134	37256
Total Imports	MT/Lacs	24295	29682	62175	66374
Total Demand	MT/Lacs	65701	79804	98310	103630
Trend	Indexed	100	121	150	158

58. Demand of subject goods has been determined by addition of domestic sales (including captive sales) of domestic industry and all imports from all countries. From the data, trend indicates that demand for the subject goods had been growing from base year to POI. It grew by 48% during POI as compared to base year i.e. 2003-04.

59. The growth in demand of subject goods excluding captive sales also shows similar trends. However, as compared to base year it grew by 58%.

b) Production of the Domestic Industry

Capacity	Unit	2003-04	2004-05	2005-06	July05-june06	Adjusted
HERDILLIA	MT	***	***	***	***	***
HOCL	MT	***	***	***	***	***
DI	MT	45500	45500	45500	45500	45500
Trend	Indexed	100	100	100	100	100
Capacity Utilisation						
HERDILLIA	%	***	***	***	***	***
HOCL	%	***	***	***	***	***
DI	%	102	114	80	85	91
Trend	Indexed	100	112	79	83	90
Production						
HERDILLIA	MT	***	***	***	***	***
HOCL	MT	***	***	***	***	***
DI	MT	46422	52036	36477	38736	46569
Trend	Indexed	100	112	79	83	90

60. Data of domestic industry on capacity, production and capacity utilisation reveals that the capacity of the domestic industry was 45500 MT during 2003-04 and had not changed during POI. The production of subject goods was 46422 MT during 2003-04 after rising in 2004-05 declined to 36477 MT during 2005-06 and was 38736 MT during POI. The trend indicates the production rose by 12% in 2004-05 and declined to 83% of the base year during POI. The capacity utilisation of domestic industry was 102% during 2003-04 declined to 85% during POI as compared to the base year.

61. The plant of M/s SI Group India Ltd. was out of operation for 49 days during POI due to floods in that area. The data on production and capacity utilisation has also been

analysed by adjusting the actual data to capture the effect of 49 days. The adjusted data reveals similar trends, however, production and capacity utilisation declined to 90% during POI as compared to base year.

c) Sales of Domestic Industry

Domestic Sales	Unit	2003-04	2004-05	2005-06	July05-June06
HERDILLIA	MT	***	***	***	***
HOCL	MT	***	***	***	***
Domestic Industry	MT	41405	50122	36134	37256
Trend	Indexed	100	121	87	90
Domestic sales including Captive sales					
Domestic Industry	MT	46636	51567	37751	38314
Trend	Indexed	100	111	81	82

62. The data on sales indicates that the domestic industry sold 46636 MT of subject goods during 2003-04 and it declined to 38314 MT during POI. The sale of domestic industry fell to 82% during POI as compared to base year. The data on sales excluding captive sales indicates that the domestic industry sold 41405 MT of subject goods during 2003-04 and it declined to 37256 MT during POI. The sale of domestic industry fell to 90% during POI as compared to base year. The average inventory of the domestic industry indicates that the average stock was 867MT in 2003-04 and it risen to 1878 MT during POI. The average stock rose by 117%. In term of number of days of sales it was equivalent to 8 days of sales in 2003-04 and rose to 14 days of sales during POI as compared to base year. The decline in production, sales, capacity utilization and growth of average stock during POI indicate difficulty in selling the subject goods

Demand and Market Share including captive sales

Demand	Unit	2003-04	2004-05	2005-06	July05-june06
Domestic Sales					
HERDILLIA	MT	***	***	***	***
HOCL	MT	***	***	***	***
Domestic Industry	MT	46636	51567	37751	38314
Total Imports	MT	24295	29682	62175	66374
Total Demand	MT	70931	81250	99926	104688
Trend	Indexed	100	115	141	148
Market Share in Demand					
HERDILLIA	%	***	***	***	***
HOCL	%	***	***	***	***
EU	%	12.86	15.86	19.61	16.30
SothAfrica	%	13.37	9.40	9.79	9.30
Singapore	%	0.70	5.20	10.27	11.12
Taiwan	%	0.11	3.36	12.73	10.28
USA	%	3.61	0.54	4.26	6.07
Domestic Industry	%	65.75	63.47	37.78	36.60
Trend	Indexed	100	97	57	56
Subject Countries	%	30.67	34.36	56.65	53.07
Trend	Indexed	100	112	185	173

Imports from Other countries	%	3.58	2.17	5.57	10.33
Trend	Indexed	100	61	156	289
Total	%	100	100	99	100

d) **Demand and Market Share excluding captive sales**

Demand	Unit	2003-04	2004-05	2005-06	July05-June06
Domestic Sales					
HERDILLIA	MT	***	***	***	***
HOCL	MT	***	***	***	***
Domestic Industry	MT	41405	50122	36134	37256
Total Imports	MT	24296	29682	62176	66374
Total Demand	MT	65701	79804	98310	103630
Trend	Indexed	100	121	150	158
Market Share in Demand					
HERDILLIA	%	***	***	***	***
HOCL	%	***	***	***	***
EU	%	13.9	16.1	24.5	16.5
SothAfrica	%	14.4	9.6	9.9	9.4
Singapore	%	0.8	5.3	10.4	11.2
Taiwan	%	0.1	3.4	12.9	10.4
USA	%	3.9	0.5	4.3	6.1
Domestic Industry	%	63.02	62.81	36.76	35.95
Trend	Indexed	100	99.90	58	57
Subject Countries	%	33.11	34.99	57.58	53.62
Trend	Indexed	100	106	174	162
Imports from Other countries	%	3.86	2.21	5.66	10.43
Trend	Indexed	100	57	147	270
Total	%	100	100	99	100

63. The demand (including captive sales) of subject goods has shown rising trend. It grew by 48% during POI as compared to the base year. The trend indicates that the share of domestic industry which was at 65.75% in 2003-04 declined to 36.60% during POI. During the same period the share of subject countries which was 30.67% in 2003-04 rose to 56.65% in 2004-05 and 53.07% during POI. The share of imports from other countries has also risen from 3.58% in the base year to 10.33% during POI. The imports from other countries includes imports from Russia and Korea ROK. The anti-dumping investigations against these countries have also been initiated.

64. The demand (excluding captive sales) of subject goods shows similar trend. It grew by 58% during POI as compared to the base year. The trend indicates that the share of domestic industry which was at 63.02% in 2003-04 declined to 35.95% during POI. During the same period the share of subject countries which was 33.10% in 2003-04 rose to 62.20% in 2004-05 and 53.60% during POI.

(B) Price Effect of the Dumped imports on the Domestic Industry

65. The impact on the prices of the domestic industry on account of the dumped imports from the subject countries have been examined with reference to the price undercutting, price underselling, price suppression and price depression, if any. For the purpose of this analysis the weighted average cost of production, weighted average Net Sales Realization (NSR) and the Non-injurious Price (NIP) of the Domestic industry have been compared with the landed cost of imports from the subject countries.

(i) **Evaluation of price over period under consideration**

Export Price	Unit	2003-04	2004-05	2005-06	July05-June06
USA	Rs/MT	26,126	40,477	33,403	32,852
Trend	Base year 2003-04=100	100	155	83	98
E U	Rs/MT	26,543	39,145	38,076	33,036
Trend	Indexed	100	147	143	124
South Africa	Rs/MT	26,329	39,456	34,397	32,145
Trend	Indexed	100	150	131	122
Singapore	Rs/MT	25,420	41,453	33,089	31,956
Trend	Indexed	100	163	130	126
Chinese Taipei	Rs/MT	34,798	39,792	38,150	33,373
Trend	Indexed	100	114	110	96
Subject Countries	Rs/MT	26,405	39,664	36,202	32,698
Trend	Indexed	100	150	137	124

Sales(NSR)	Unit	2003-04	2004-05	2005-06	July05-June06	Adjusted
Trend	Indexed	100	131	119	113	113
COP						
Trend	Indexed	100	121	141	135	135

66. The data on prices reveals that prices from USA increased by 55% in 2004-05 however decline to 98 % as compared to base year. Data on European Union shows the prices increased to 47% in 2004-05 and declined to 24% during POI as compared to the base year. Prices from South Africa as compared to base year increased by 50% before declining to 22% during POI. Prices from Chinese Taipei as compared to base year increased by 14% in 2004-05 before declining to 96% during POI. Prices from Singapore reveal it increased by 63% in 2004-05 and declined to 26% during POI as compared to base year. Prices from subject countries show that it increased by 50% in 2004-05 before declining to 24% as compare to base year. The data on cost of production of domestic industry shows that the

cost of production increased by 21% in 2004-05 and 41% in 2005-06 and 35% during POI as compared to base year.

(ii) **Price undercutting and underselling effects**

	Unit	2003-04	2004-05	2005-06	July'05 to June'06
Selling price-DI		***	***	***	***
	Rs/ MT				
Trend	Indexed	100	131	119	113
Customs Duty	%	25	20	14.79	14.17
Landed value					
USA	Rs/ MT	32723	48653	38394	37553
Price Undercutting	Rs./MT	***	***	***	***
Price Undercutting	%	***	***	***	1-10%
NIP	Rs./MT				***
Price underselling	Rs./MT				***
Price underselling %					5-15
Europe	Rs/ MT	33244	47052	43764	37763
Price Undercutting	Rs./MT	***	***	***	***
Price Undercutting	%	***	***	***	1-10
NIP	Rs./MT				***
Price underselling	Rs./MT				***
Price underselling %					5-15
South Africa	Rs/ MT	32977	47426	39536	36745
Price Undercutting	Rs./MT	***	***	***	***
Price Undercutting	%	***	***	***	2-12
NIP	Rs.MT				***
Price underselling	Rs./MT				***
Price underselling %					5-20
Singapore	Rs/ MT	31838	49826	38033	36529
Price Undercutting	Rs./MT	***	***	***	***
Price Undercutting	%	***	***	***	5-15
NIP	Rs./MT				***
Price underselling	Rs./MT				***
Price underselling %					5-20
Chinese Taipei	Rs/ MT	43584	47830	43850	38148
Price Undercutting	Rs./MT	***	***	***	***
Price Undercutting	%	***	***	***	2-12
NIP	Rs./MT				***
Price underselling	Rs./MT				***
Price underselling %					5-15

67. In determining the weighted net sales realization of the domestic industry, the rebates, discounts and commissions offered by the domestic industry and the central excise duty paid have been rebated.

68. The trend of selling price indicates that it has risen by 31% in 2003-04, 19% in 2005-06 as compared to base year, however, it risen by 13% during POI as compared to base year.

During the same period, the cost of production had risen by 23% in 2003-04, 38% in 2004-05 and 34% during POI as compared to base year.

69. Price undercutting has been determined by comparing the weighted average landed value of dumped imports from the subject countries over the entire period of investigation with the weighted average net sales realization of the domestic industry for the same period. For this purpose landed value of imports has been calculated by adding 1% handling charge and applicable basic customs duty to the value reported in the DGCI&S data of import prices from the subject countries. The price undercutting from subject countries was in the range of 2-10% during POI.

70. For the purpose of price underselling determination the weighted average landed prices of imports from subject countries have been compared with the Non-injurious price of the domestic industry determined for the POI. It shows that underselling was in the range of 5-20%.

(iii) Price suppression and depression effects of the dumped imports:

71. The price suppression effect of the dumped imports has also been examined with reference to the cost of production, net sales realization and the landed values from the subject countries.

72. The trend of cost of production shows that weighted average cost of production rose by 35% during POI as compared to base year whereas the selling price had increased only by 13% during POI indicating that the domestic industry could not realize the selling price commensurate with the increase in cost of production.

F.4 Examination of other Injury Parameters

73. After having examined the effect of dumped imports on the volumes and prices of the domestic industry and major injury indicators like volume and value of imports, capacity, output, capacity utilization and sales of the domestic industry as well as demand pattern with market shares of various segments in the earlier section, other economic parameters which could indicate existence of injury to the domestic industry have been analysed hereunder as follows:

ii) Profits and actual and potential effects on the cash flow

Sales(NSR)	Unit	2003-04	2004-05	2005-06	July05-June06	Adjusted
HERDILLIA	Rs/MT	***	***	***	***	***
HOCL	Rs/MT	***	***	***	***	***
Domestic Industry	Rs/MT	***	***	***	***	***
Trend	Indexed	100	131	119	113	113
COP						
HERDILLIA	Rs/MT	***	***	***	***	***
HOCL	Rs/MT	***	***	***	***	***
Domestic Industry	Rs/MT	***	***	***	***	***
Trend	Indexed	100	121	141	135	135
Profitability						
HERDILLIA	Rs/MT	***	***	***	***	***
HOCL	Rs/MT	***	***	***	***	***

Trend	Indexed	100	196	-38	-40	-44
Profits - PBIT						
HERDILLIA	Rs/Lacs	***	***	***	***	***
HOCL	Rs/Lacs	***	***	***	***	***
Domestic Industry	Rs/Lacs	***	***	***	***	***
Trend	Indexed	100	216	-19	-21	-27

74. The data indicate that weighted average cost of production of the domestic industry rose by 21% in 2003-04, 41% in 2005-06 and 35 % during POI as compared to base year whereas the weighted average net selling price increased by 31 % in 2004-05, 19% in 2005-06 and 13% during the same period. The profit per unit which was 100 (indexed) in the base year increased by 96% during 2004-05 and turned into loss of 40 during POI. The profit of domestic industry on the domestic sales(PBIT) which was 100 (indexed) in 2003-04 increased by 116% in 2004-05 and turned to loss of 21% during POI..

iii) Return on investment and ability to raise capital

Assets(NFA)	Unit	2003-04	2004-05	2005-06	July05-June06	Adjusted
HERDILLIA	Rs/Lacs	***	***	***	***	***
HOCL	Rs/Lacs	***	***	***	***	***
Domestic Industry	Rs/Lacs	***	***	***	***	***
Trend	Indexed	100	96	105	100	100
Working Capital	Unit					
HERDILLIA	Lacs	***	***	***	***	***
HOCL	Rs/Lacs	***	***	***	***	***
Capital Employed (NFA)						
HERDILLIA	Lacs	***	***	***	***	***
HOCL	Rs/Lacs	***	***	***	***	***
Domestic Industry	Rs/Lacs	***	***	***	***	***
Trend	Indexed	100	120	115	109	109
PBIT						
HERDILLIA	Rs/Lacs	***	***	***	***	***
HOCL	Rs/Lacs	***	***	***	***	***
Domestic Industry	Rs/Lacs	***	***	***	***	***
Trend	Indexed	100	216	-19	-21	-27
ROCE(NFA)						
HERDILLIA	%	***	***	***	***	***
HOCL	%	***	***	***	***	***
Domestic Industry	%	***	***	***	***	***
Trend	Indexed	100	180	-17	-19	-25

75. The data on capital employed shows that it increased by 20% in 2004-05, 15% in 2005-06 and 9% during POI as compared to base year. The increase of capital employed was mainly because of increase of the working capital. The return on capital employed with base as 100 (indexed) in 2003-04 increased by 80% in 2004-05 and turned to -19% during POI.

i) Productivity

76. The data on production per employee shows that the productivity increased by 14% in 2004-05 before declining to 86% during POI as compared to base year.

Employment and wages

Employees	Unit	2003-04	2004-05	2005-06	July05-june06
HERDILLIA	No	***	***	***	***
HOCL	NO	***	***	***	***
DI	No	***	***	***	***
Trend	Indexed	100	98	98	97
Salary and wages					
HERDILLIA	Rs/Lacs	***	***	***	***
	Rs/Lacs	***	***	***	***
DI	Rs/Lacs	***	***	***	***
Trend	Indexed	100	112	121	135

77. Acetone and Phenol are manufactured together in a same process. Therefore, the number of employees and their wages have been taken for the plant as a whole. The employment level does not show significant change. In indexed form it declined to 97% during POI as compared to base year. The wages increased by 35% during POI as compared to base year.

viii) Inventories

Average Inventory	Unit	2003-04	2004-05	2005-06	July05-June06
HERDILLIA	MT	***	***	***	***
HOCL	MT	***	***	***	***
DI	MT	867	950	981	1878
Trend	Indexed	100	110	113	217

78. The data indicates the average inventory almost doubled during POI from the 100 of the base year. The stock was equivalent to 8 days of sales in 2003-04 and increased to equivalent of 14 days during POI

Growth

79. The growth in demand shows positive trend from base year to POI on year to year basis. The growth in production and sales were positive in 2004-05, negative in 2005-06 and was positive during the POI. The cost of production show positive trend in 2004-05 and 2005-06, however, it was negative in POI. Growth of selling price shows positive trend in 2004-05 and negative in 2005-06 and POI. Growth of profits shows positive trend in 2004-05 and negative in 2005-06 and POI.

v) Investment

80. The authority notes that the domestic industry had not changed the capacity of subject goods from base year to POI. There has been no fresh investment by the domestic industry during the period of investigation and there is no plan for further investment as submitted by them.

vi) Magnitude of Dumping

81. Magnitude of dumping as an indicator of the extent to which the dumped imports can cause injury to the domestic industry shows that the dumping margins determined against the subject countries named, for the POI, are significant.

vii) Factors affecting prices

82. Change in cost structure if any, competition in the domestic industry and prices of competing substitutes have been examined for analyzing the factors might be affecting the prices in the domestic market. The weighted average cost of production has increased by 35% during POI. The weighted average net selling prices increased by 13% during the same period. The Authority notes that Landed values of imported material from subject countries are significantly below the selling price of the domestic industry, causing price undercutting in the Indian market. The undercutting during POI was in the range of 2-10% and underselling was in the range of 5-20% during POI.

F.5 Conclusion on injury parameters

83. The examination of above injury parameters indicates that growth in demand was 48% (including captive sales) during POI as compared to base year. The production of the domestic industry declined to 83% during POI as compared to the base year. The sales including captive sales of the domestic industry declined to 81% during POI as compared to the base year. During the same period, the imports of subject goods increased significantly from 21757 MT in 2003-04 to 55562 MT during POI i.e. it increased by 155%. The share of the imports from subject countries increased from 30.67% in 2003-04 to 53.07% during POI whereas the share in demand of the domestic industry declined from 65.7% to 36.60% during the same period. The capacity of the domestic industry despite growth in demand declined and remained unutilized during POI. The profitability during POI turned to -44 during POI from base of 100 in 2003-04. Similarly, profits (PBIT) turned to -27 during POI as compared to base of 100. The return on net capital employed turned to -25 during POI as compared to 100 of base year.

F.6 Other Known factors and Causal Link

84. The foregoing analysis indicates that the volume of dumped imports from the subject countries have increased substantially both in absolute terms as well as in relation to the share in demand. Despite strong growth in demand the growth of imports from subject countries have significantly displaced the market share of the domestic industry. The landed value of dumped imports from the subject countries also show a significant price undercutting and underselling on the prices of the domestic industry compelling the domestic industry to benchmark its prices to imports thereby incurring losses. This establishes causal link between dumping of the subject goods and injury to the domestic industry.

85. The Authority has also examined the issue of causal link and other non-attribution factors as laid down in the Rules to segregate injury if any caused by other factors. In this regard the following indicative factors as laid down in the Rules have been examined.

i) Volume and prices of imports from other sources

86. The authority notes that the volume of imports from other countries are 16.29%. [The Authority notes that the imports from other countries may also have been contributing to the](#)

injury of the domestic industry. It has been further observed that the imports from other countries include imports from Russia and Korea ROK for which the anti-dumping investigations have already been initiated by the Authority.

ii) Contraction in demand and / or change in pattern of consumption

87. The subject goods have shown robust growth during the injury period. The total demand of subject goods have shown growth of 48% (including captive sales) during Period of Investigation as compared to the base year. There is also no significant change in consumption pattern of the product in the domestic market which could be attributed to the injury to the domestic industry.

iii) Trade restrictive practices of and competition between the foreign and domestic producers

88. The Authority notes that there is no restricted practice prevalent in the industry which could be attributed to the injury to the domestic industry.

iv) Development of technology

89. The Authority notes that technology for production of the product has not undergone any change. Development of any other technology, therefore, cannot be attributed to the injury to the domestic industry.

v) Export performance

90. The Authority notes that the export volume of the domestic industry is insignificant during the entire injury period. Therefore, this factor is not attributable to the injury to the domestic industry.

vi) Productivity of the Domestic Industry

91. Productivity of the domestic industry in terms of production per employee has shown decline during POI as compared to base year because of the decline in production during the same period.

92. No other factor which could have possibly caused injury to the domestic industry has been brought to the knowledge of Authority.

93. On the basis of the above examination it is concluded that the subject goods exported from the subject countries are at prices below their normal values, Non Injurious Price of the domestic industry and the average sales realization of the subject goods of the applicants, and have caused injury to the domestic industry indicating causal links between dumping of subject goods and injury to the domestic industry.

G. Magnitude of Injury Margin

94. The non-injurious price determined by the Authority has been compared with the landed value of the exports for determination of injury margin. The weighted average landed price of the exports from the subject country and the injury margins have been worked out as follows:

Injury margin Calculations

USD./MT

Name of company	Injury Margin (Bulk)	Injury Margin (Packed)	Injury Margin (Avg/Weighted)
M/s Formosa Chemicals & Fibre Corporation, Chinese Taipei	***	***	***
M/s Taiwan Prosperity Chemical Limited, Chinese Taipei	***	***	***
Others from Chinese Taipei	***	***	***
M/s Mitsui & Co. Ltd., Singapore	***	***	***
Others from Singapore	***	***	***
M/s Sasol Solvents, South Africa	***	***	***
Others from South Africa	***	***	***
Exporters from USA	***	***	***
Exporters from European Union	***	***	***

H. Conclusions

95. The Authority has, after considering the foregoing, come to the conclusion that:

- A. The subject goods have been exported to India from the subject countries below its normal value;
- B. The domestic industry has suffered material injury;
- C. The injury has been caused by the dumped imports from subject countries.

I. Indian industry's interest & other issues

96. The Authority notes that the purpose of anti-dumping duties, in general, is to eliminate injury caused to the Domestic Industry by the unfair trade practices of dumping so as to re-establish a situation of open and fair competition in the Indian market, which is in the general interest of the country. Imposition of anti-dumping measures would not restrict imports from the subject country in any way, and, therefore, would not affect the availability of the products to the consumers.

J. Recommendations

97. The Authority notes that the investigation was initiated and notified to all interested parties and adequate opportunity was given to the exporters, importers and other interested parties to provide positive information on the aspect of dumping, injury and causal links. Having initiated and conducted a preliminary investigation into dumping, injury and causal links between dumping and injury to the domestic industry in terms of the Rules laid down and having provisionally established positive dumping margin against the subject countries, as well as material injury to the domestic industry caused by such dumped imports, the Authority is of the view that imposition of provisional duty is required to offset dumping and injury pending completion of the investigation.

98. Therefore, Authority considers it necessary and recommends provisional anti-dumping duty on imports of subject goods from the subject countries in the form and manner described hereunder.

99. Having regard to the lesser duty rule followed by the authority, the Authority recommends imposition of provisional anti-dumping duty equal to the lesser of margin of dumping and margin of injury, so as to remove the injury to the domestic industry. Accordingly, provisional antidumping duty equal to the amount indicated in Col 8 of the table below is recommended to be imposed from the date of notification to be issued in this regard by the Central Government, on all imports of subject goods originating in or exported from the subject countries.

Duty Table

Sl. No	Sub-Heading Or Tariff Item	Description of Goods	Country of Origin	Country of Export	Producer	Exporter	Amount	Unit of Measurement	Currency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	29141100	Acetone	Chinese Taipei	Chinese Taipei	Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.	77.08	MT	USD
2.	Do	Do	Chinese Taipei	Chinese Taipei	M/s Formosa Chemicals & Fibre Corp.	Other than above	116.51	MT	USD
3.	Do	Do	Chinese Taipei	Chinese Taipei	M/s Taiwan Prosperity Chemicals Ltd.	M/s Taiwan Prosperity Chemicals Ltd.	99.59	MT	USD
4.	Do	Do	Chinese Taipei	Chinese Taipei	M/s Taiwan Prosperity Chemicals Ltd.	Other than above	116.51	MT	USD
5.	Do	Do	Chinese Taipei	Chinese Taipei	Any other than above	Any other than above	116.51	MT	USD
6.			Chinese Taipei	Any country other than Chinese Taipei	Any	Any	116.51		
7.	Do	Do	Any country other than Chinese Taipei	Chinese Taipei	Any	Any	116.51	MT	USD
8.	Do	Do	Singapore	Singapore	Any	M/s Mitsui & Co. Ltd.	144.25	MT	USD
9.	Do	Do	Singapore	Singapore	Any	Any other than above	206.95	MT	USD
10.	Do	Do	Singapore	Any country other than Singapore	Any	Any	206.95	MT	USD
11.	Do	Do	Any country other than Singapore	Singapore	Any	Any	206.95	MT	USD
12.	Do	Do	South Africa	South Africa	M/s Sasol Solvents	M/s Sasol Solvents	122.37	MT	USD
13.	Do	Do	South Africa	South Africa	M/s Sasol Solvents	Any other than above	154.87	MT	USD
14.	Do	Do	South Africa	Any country other than S. Africa	Any	Any	154.87	MT	USD
15.	Do	Do	Any country other than S. Africa	South Africa	Any	Any	154.87	MT	USD
16.	Do	Do	USA	USA	Any	Any	184.27	MT	USD
17.	Do	Do	USA	Any country other than USA	Any	Any	184.27	MT	USD
18.	Do	Do	Any country	USA	Any	Any	184.27	MT	USD

			other than USA						
19.	Do	Do	European Union	European Union	Any	Any	239.52	MT	USD
20.	Do	Do	European Union	Any country other than EU	Any	Any	239.52	MT	USD
21.	Do	Do	Any country other than EU	European Union	Any	Any	239.52	MT	USD

K. Further Procedures

100. The following procedure would be followed subsequent to notifying the preliminary findings:-

- (a) The Authority invites comments on these findings from all interested parties and the same would be considered in the final finding;
- (b) Exporters, importers, applicants and other interested parties known to be concerned are being addressed separately by the Authority, who may make known their views, within forty days from the date of the dispatch of the letter. Any other interested party may also make known its views within forty days from the date of publication of these findings;
- (c) The Authority would conduct further verification to the extent deemed necessary;
- (d) The Authority would disclose essential facts before announcing final findings.

Christy L. Fernandez
The Designated Authority